

TIME DEPOSIT OPEN ACCOUNT (TDOA) GUIDELINES

Product and Term (§41-14-33 (a)(b))

State law allows the Treasurer to place state funds in state depositories in time deposits, open accounts, having maturities of 91 days, 182 days, and 365 days. TDOA having a maturity of 91 days shall provide for early withdrawal of funds upon written notice delivered at least 14 days prior to the date of withdrawal. These accounts are placed in banks by giving priority to the value and importance of such deposits to the economy of the communities as indicated by the loan to deposit ratio.

Rate of Interest (§41-14-33 (c))

The rate of interest shall correspond to the rate borne by US Treasury obligations of comparable maturity and shall be calculated as the average auction rate for US Treasury Bills with maturities of 91 days and 26 weeks as established at the four most recent auctions held prior to the placement of the deposit. For the one-year maturity, the rate will be the weekly average one-year constant maturity yield for the calendar week immediately preceding the placement of the deposit.

Interest rates will be posted each Tuesday on the Treasury website www.treasury.alabama.gov, Services, Cash Management.

Calculation of interest to be paid monthly will be on an actual/actual basis as follows:

$$\frac{(\text{Amount of Principal} \times \text{Interest Rate} \times \text{Number of Days the Principal has been held by the Bank} \div \text{Number of Days in the Calendar Year})}{1}$$

Interest Payment (§41-14-34)

Interest is payable monthly by ACH to the credit of the General Fund of the state.

On the 1st day of the month, the interest will be debited from the designated account (G/L or the Bank's Deposit Account) of the bank holding the TDOA. This account will be designated on the TDOA Request form completed by the bank.

OPERATIONAL GUIDELINES

If a bank wishes to hold state funds in Time Deposit Open Accounts, the following documents are to be completed:

1. Application to be a State Depository (must be on file)
2. TDOA Request Form
3. TDOA Agreement

TDOA Request Form is available on the Treasury website www.treasury.alabama.gov, Services, Cash Management. The TDOA Agreement will be E-mailed to the bank upon approval of the TDOA Request Form. Bank will need to review and return the TDOA Agreement by 10am the following day for funds to be wired.

Maturity. Five days prior to maturity, the bank may decide to, Rollover / Change the Term / Return the TDOA Funds by completing a new Request Form.